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RURAL ELECTRIFICATION ADMINISTRATION

PROGRESS BULLETIN  
GENERAL - No. 24

NOVEMBER 17, 1937

REA Administrator, John M. Carmody, has sent the following letter to Purcell Leonard Smith of Chicago, President of the Middle West Corporation:

"Dear Mr. Smith:

"There are ten REA projects scattered through Texas, Kansas, Missouri and Oklahoma which are potential wholesale customers of subsidiaries of the Middle West Corporation.\* These ten projects propose to build 3,757 miles of rural line to serve 13,827 prospective customers. Every one of them has been delayed and discouraged by the failure of your subsidiary companies to provide a rate which would permit successful operation.

"The subsidiaries have submitted substantially identical rates. They are way out of line with rates quoted under similar conditions by other companies. They range from approximately 1.5¢ per kilowatt hour for a project which will require over 2,500,000 kilowatt hours a year, to 1.9¢ per kwh for a smaller project requiring 360,000 kilowatt hours per year. We consider these rates excessive and feel that the situation demands immediate attention. Rural electrification projects cannot pay such exorbitant rates and live.

"Many operating companies have adopted special rates for this class of service; only a few still refuse to do so. To mention only a few States, operating companies have filed special wholesale rates to rural cooperatives in New Jersey, Pennsylvania, Virginia, South Carolina, Indiana, Illinois, Kentucky, Arkansas, Missouri, Wisconsin, Minnesota, Iowa, Oklahoma, Kansas, Texas, Colorado, Montana, Washington, and Oregon.

"In scattered instances, Middle West subsidiaries have quoted satisfactory rates. The Kentucky Utilities Company went along with an order of the Public Service Commission of that State. It is making service available to REA borrowers at approximately 1.1¢ per kwh. The Central Illinois Public Service Company finally decided our plan to lend additional funds for a generating plant in its territory was not a bluff and came through with a better offer. Naturally, we could not abandon the generating plant at that late date. It seems a shame that a utility company carrying the words "public service" right in its title should seek to make rates a matter of horse trading.

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\* These projects are listed at the end of the letter.

"Whether we be at the head of large private utility operating or holding companies or Government officials, none of us can look very far into the future with definite certainty. However, unless many clear trends change, electricity for farmers is not a passing fancy. Powerful farm organizations are back of the movement. The Congress has laid out a ten-year program of Federal aid. Thousands of miles of lines are being built now. More will be built. I take it that whatever hostility any private company had to the plan when it was proposed has been washed out by experience. The program has proved itself helpful to a wide range of industries as well as to farm families.

"I understand that you are taking over the duties of President of Middle West Corporation. We tried to reach an agreement with your predecessor, Mr. D. C. Green, about a year ago. We never got to first base. REA has no desire to duplicate facilities. REA encourages its borrowers to buy energy from existing sources. But we cannot recommend that farmers pay one third again as much for wholesale energy as other farmers are being asked to pay in the same and neighboring States.

"I hope you will have an opportunity to look into this question and use your influence to break what strikes me as an unnecessary log-jam. We do not wish to be forced into a position where we must report to Congress that additional funds should be appropriated to build additional generating plants.

Very truly yours,

John M. Carmody  
Administrator"

\* The ten projects to which Administrator Carmody referred are:

Project	Name of Organization	Amount of	No. of	No. of
		Loan	Miles	Cust.
Texas 30A Upshur	Cooperative being formed	\$ 70,000*	142	635
Texas 40A Bowie	Cooperative being formed	174,000*	513	1,853
Texas 41 Panola	Panola-Harrison Power Co. Elysian Fields, Texas	80,000	84	411
Texas 54 Wood	Cooperative being formed	Not yet allotted		
Texas 48 Hidalgo	Magic Valley Elec. Coop., Inc. Mercedes, Texas	200,000*	807	2,356
Texas 64 San Augustine	Cooperative being formed	Not yet allotted		
Texas 65 Rusk	Cooperative being formed	Not yet allotted		
Kansas 7 Jewell	Jewell-Mitchell Coop. Elec. Co., Inc., Ionia, Kansas	195,000	185	568
Okla. 6 Caddo	Caddo County Elec. Coop. Albert, Okla.	187,000	378	1,100
Mo. 12 Pemiscot	Pemiscot Elec. Coop. Assn. Caruthersville, Mo.	175,000*	429	1,538

Note: \* Partial allotment.